GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:7264
ANSWERED ON:13.05.2005
RAISING GDR FUNDS FROM ABROAD
Badiga Shri Ramakrishna

Will the Minister of FINANCE be pleased to state:

(a) whether a large number of companies are rushing to overseas markets to raise funds through Global Depository Receipts;

(b) if so, the details thereof and reasons therefor;

(c) rules and regulations laid down by the RBI in this regard;

(d) whether the Government plan to relax guidelines to help small and medium sized companies; and

(e) if not, the reasons therefor?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM):

(a) and (b) In terms of issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993, Global Depository Receipts (GDRs) can be issued by the Indian companies in consonance with the policy on Foreign Direct Investment (FDI) underthe automatic route. Foreign Currency Convertible Bonds (FCCBs) upto US$ 500 million can also be issued under automatic route in consonance with the policy for External Commercial Borrowing and FDI. Details of Foreign investment inflows through ADR/GDR for the past three financial years are given below:

(US$ Million)

2001-02	2002-03	2003-04
477	600	459

(c)Regulations governing issue of GDRs/FCCBs are notified by the Reserve Bank of India underForeign Exchange Management Act,1999.

(d) and (e) Liberalisation of guidelines is an ongoing process.